



Hong Kong: A Comparison Study Between the Greater Pearl River Delta Region's Ports; The Port of Hong Kong and Shenzhen

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Summary

Over the past several decades, China's export oriented economy has been one of the world's strongest. For a myriad of reasons, the dynamic Greater Pearl River Delta Region (GPRDR) has played a leading role in China's growth over this time. Traditionally, the Port of Hong Kong has almost exclusively handled the transfer of the GPRDR's goods in and out of the Region. More recent shifts north into China of the Region's manufacturing base however are supporting the viability of other ports within the GPRDR. While the Port of Hong Kong continues to maintain considerable service oriented advantages, cost and geographic benefits that these new ports offer are increasingly posing a threat to the Port of Hong Kong's prominence.

Market Overview:

In the year 1996 Hong Kong handled over 95 percent of the Region's South China Direct Ocean Cargo. From this point on however, Hong Kong's preeminence in this regard began to decline rapidly, and in August 2004 the ports in Shenzhen combined handled more containers than Hong Kong's Kwai Chung terminals. (Winipek).

The prime factor for this phenomena is the Shenzhen's port's relative proximity to the major production centers of southern China's Guangzhou province. When moving goods between factory and port, this calculates into considerable savings on inland transportation costs. Additionally, over a relatively short time, Shenzhen's ports have shown a great increase in quality and speed offering port services comparable to those found in Hong Kong.

While there is potential for cost savings associated with usage of the ports in Shenzhen, Hong Kong's free port status, and world-class financial, legal and administrative infrastructure, does allow it to maintain certain qualitative advantages over its regional competitors, continuing to make it an attractive choice for many. As with all things in GPRDR, the future trends of the region's ports will be largely market driven and dictated by the choices customers make across the spectrum of possibilities that exist between simple price considerations and the more comprehensives service that Hong Kong can offer.

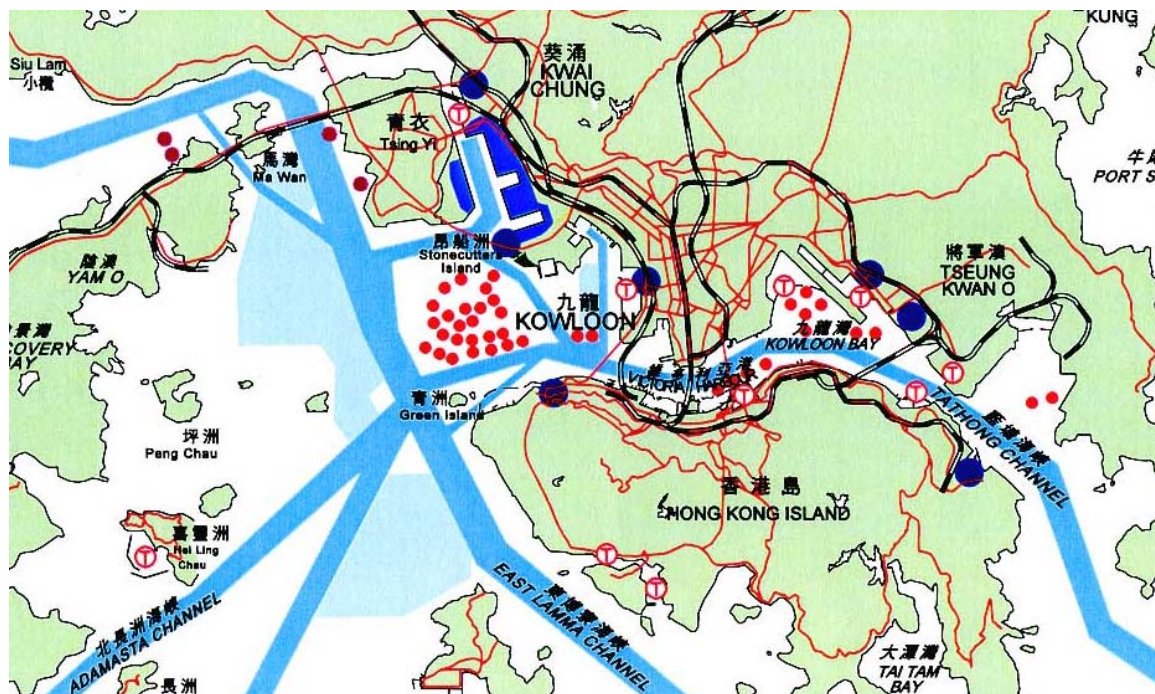
The Greater Pearl River Delta Region includes Hong Kong, Macau, and The Pearl River Delta Economic Zone which includes Guangzhou, Shenzhen, Dongguan, Foshan, Jiangmen, Zhongshan, Zhuhai, and the urban areas of Huizhou and Zhaoqing. For the purposes of this report, the deep water Port of Hong Kong, and Shenzhen's deep water ports of Shekou, Chiwan and Yantian will be considered.

The Ports: A Breakdown of General Services

PORT	Location	Terminal Space	Berths	Designed Annual Capacity	Future Development
Hong Kong	Hong Kong	2.7 Km Sq	24	18,000,000 TEU	Have identified four new sites that would allow for the possibility handle approximately 30 million TEU's by 2020
Chiwan International Container Terminal (CCT)	30 km west of Central Shenzhen	510,000 m/sq	6	4,100,000 TEU	Berth #7 will be completed in 2006 2 berths bringing total to 7
Shekou International Container Terminal (SCT)	28 km East of Central Shenzhen	1,160,000 m/sq	7	4,500,000	Recently completed construction on
Yantian International Container Terminal	25 km east of Central Shenzhen	118 Hectares		5,000,000 TEU	Phase III Berths adding 90 Hectares to be completed in 2010

The Port of Hong Kong: The Port of Hong Kong has been a container port for more than three decades. The Port enjoys free port status, which means that aside from 4 products, to include alcoholic liquors, tobacco, hydrocarbon oil, and methyl alcohol, imports are allowed to enter into the without having to make customs declarations. This results in increased speed for goods entering the port. The Port has a total of nine terminals located at Kwai Chung, Stonecutters Island, and Tsing Yi, the latter of which was added in 2004. Prior to adding the Tsing Yi terminal in 2004, the terminals were known as the Kwai Chung Container Terminals. The terminals are operated by 5 companies: Modern Terminals Ltd (MTL), Hong Kong International Terminals Ltd (HIT), Cosco Information & Technology (H.K.) Ltd (COSCO), Dubai Port International Terminals Ltd (DPI), and Asia Container Terminals Ltd (ACT).

A map of the Port of Hong Kong



- 主要公路
PRINCIPAL HIGHWAYS
- 主要鐵路
PRINCIPAL RAILWAYS
- 船舶航道（現有）
SHIPPING CHANNEL (EXISTING)
- ⓧ 防波堤 / 避風塘
BREAKWATER / TYPHOON SHELTER
- 貨櫃碼頭
CONTAINER TERMINAL
- 內河貨運碼頭
RIVER TRADE TERMINAL
- 中流作業用地（長期）
MID-STREAM SITE (LONG TERM)
- 碇泊區
ANCHORAGE
- 公眾貨物裝卸區
PUBLIC CARGO WORKING AREA (PCWA)
- 繫泊浮泡
MOORING BUOY

Shenzhen:

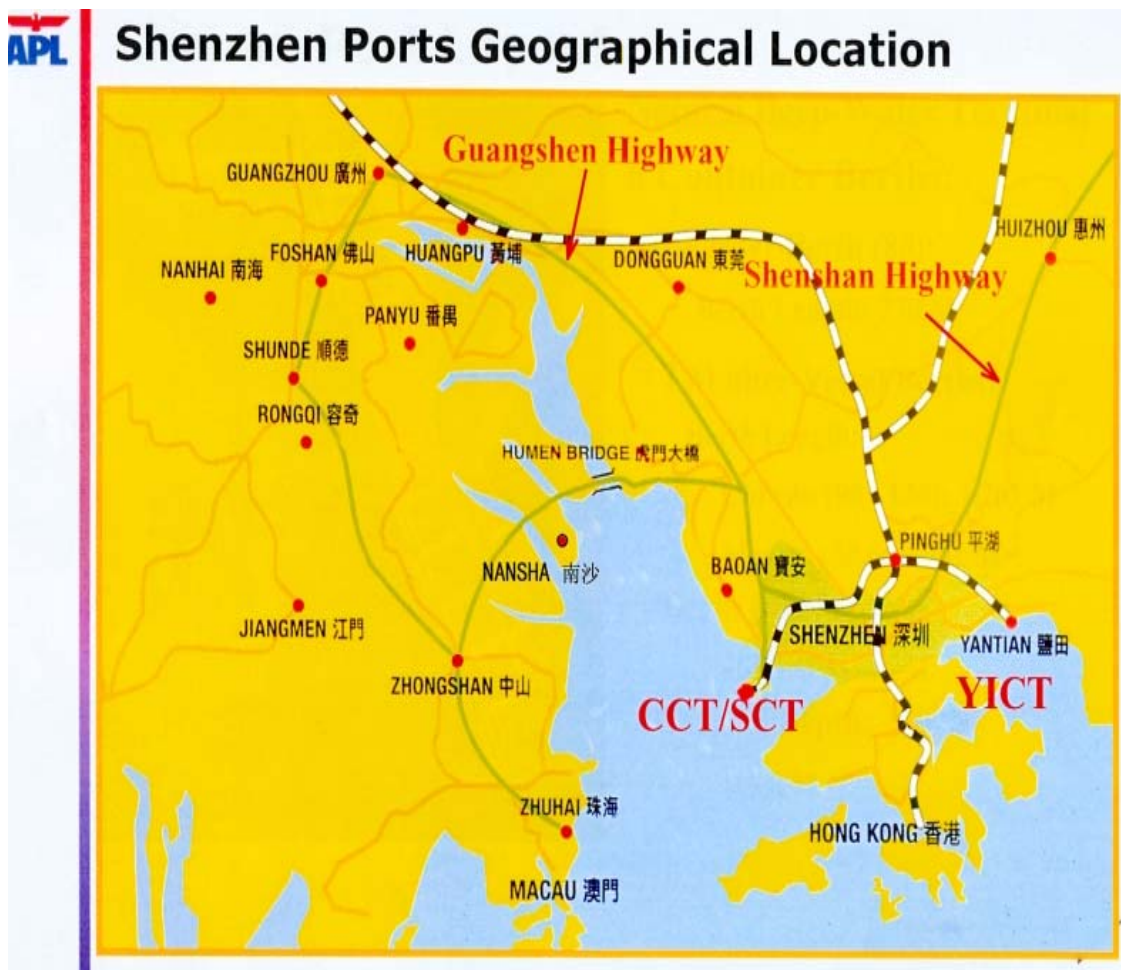
Shenzhen has developed three deep water ports that are comparable to Hong Kong in terms of capabilities for handling container vessels. These include:

Chiwan International Container Terminal (CCT): Registered initially as Shenzhen Kai Feng Terminal in 1990. Changed name to Chiwan International Container Terminal in 2001. CCT is operated by 3 companies, Chiwan Wharf Holdings Co., Ltd, Kerry Holding (HK) Limited, Hidoney Development (HK) Co., Ltd.

Shekou International Container Terminal (SCT): Registered initially in 1989. SCT is operated by China Merchant Holdings, Swire Pacific, P & O Group and Modern Terminals.

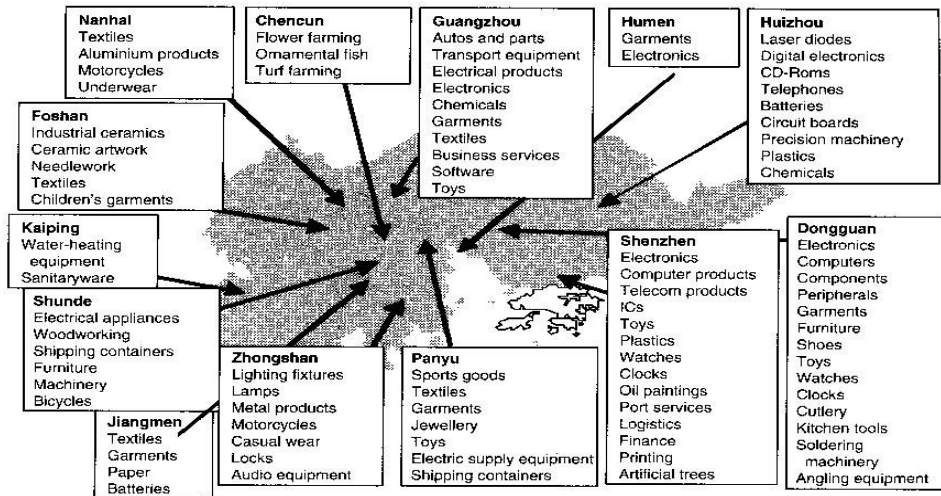
Yantian International Container Terminal (YICT): Was initially registered in ??????. Sits adjacent to the Yantian Port Free Trade Zone (YPFTZ) which covers a total of 200,000 square meters. The Terminal is operated by 3 companies, Hutchinson Port Holdings, Yantian Port Holdings, and Maersk Line – Sealand.

A Map of Shenzhen's Ports



Shenzhen vs. Hong Kong: Geographic Comparison

Shenzhen: Shenzhen's three ports have increasingly found them closer to the GPRDR's major production centers:



Source: Enright, Scott & Associates Ltd research

The Port of Hong Kong's relative geographic isolation from the Region's industrial base has made it difficult for the Port to compete on a cost comparison basis. This is primarily due to the fact that road haulage costs between Hong Kong and the Mainland are substantial. Further exasperating this situation is the fact that the Port of Hong Kong also charges higher terminal handling fees.

Shenzhen vs. Hong Kong: Cost Comparison

Quotes made in U.S. Dollars

THC: Total Handling Costs

Low rate carrier: These are carriers that offer restricted services to include limited shipping times and port connectivity.

Transportation Cost analysis: Port to Factory/Factory to Port

Factory	Terminal	Inland Transportation	THC	
Dongguan	Hong Kong	By Truck	359	366
	Yantian	By Truck	195	269
	Shekou/Chiwan (general carrier)	By Truck	188	244
	Shekou/Chiwan (low rate carrier)	By Truck	188	244
Shenzhen	Hong Kong	By Truck	264	366
	Yantian	By Truck	120	269
	Shekou/Chiwan (general carrier)	By Truck	120	244
	Shekou/Chiwan (low rate carrier)	By Truck	120	244
Huizhou	Hong Kong	By Truck	327	366
	Yantian	By Truck	205	269
	Shekou/Chiwan (general carrier)	By Truck	214	244
	Shekou/Chiwan (low rate carrier)	By Truck	214	244
Guangzhou - Huangpu	Hong Kong	By Truck	423	366
		By Barge	453	366
	Yantian	By Truck	264	269
	Shekou/Chiwan (general carrier)	By Truck	257	244
		By Barge	180	244
	Shekou/Chiwan (low rate carrier)	By Truck	257	244
		By Barge	180	244
Guangzhou - Fangchun	Hong Kong	By Truck	490	366
		By Barge	453	366
	Yantian	By Truck	309	269
	Shekou/Chiwan (general carrier)	By Truck	302	244
		By Barge	180	244
	Shekou/Chiwan (low rate carrier)	By Truck	302	244
		By Barge	180	244

Guangzhou - Huadu	Hong Kong	By Truck	526	366
		By Barge	453	366
	Yantian	By Truck	341	269
	Shekou/Chiwan (general carrier)	By Truck	332	244
		By Barge	180	244
	Shekou/Chiwan (low rate carrier)	By Truck	332	244
		By Barge	180	244
WPRD Foshan Shunde Nanhai	Hong Kong	By Truck	510	366
		By Barge	476	366
	Yantian	By Truck	349	269
	Shekou/Chiwan (general carrier)	By Truck	341	244
		By Barge	219	244
	Shekou/Chiwan (low rate carrier)	By Truck	341	244
		By Barge	219	244
WPRD Zhongshan	Hong Kong	By Truck	513	366
		By Barge	466	366
	Yantian	By Truck	358	269
	Shekou/Chiwan (general carrier)	By Truck	341	244
		By Barge	236	244
	Shekou/Chiwan (low rate carrier)	By Truck	341	244
		By Barge	236	244
WPRD Jiangmen	Hong Kong	By Truck	558	366
		By Barge	457	366
	Yantian	By Truck	358	269
	Shekou/Chiwan (general carrier)	By Truck	341	244
		By Barge	213	244
	Shekou/Chiwan (low rate carrier)	By Truck	341	244
		By Barge	213	244
WPRD	Hong Kong	By Truck	615	366
Zhuhai		By Barge	407	366
(Jiuzhou)	Yantian	By Truck	409	269
	Shekou/Chiwan (general carrier)	By Truck	393	244
		By Barge	323	244
	Shekou/Chiwan (low rate carrier)	By Truck	393	244
		By Barge	323	244

Other sources have cited that the Shipping a 20-foot box from Shenzhen costs an average \$333 less than shipping from Hong Kong, (Source: a study commissioned by the Hong Kong government.)

Reflecting these geographic and pricing realities, there has been a steady increase in the amount of cargo going through shenzhen's ports.

Tracking the Throughput of The Regions Ports (TEU'S):			
Terminal	2003	2004	2005
Shenzhen Ports			
Chiwan	2,052,698	3,133,310	4,160,000
Shekou	1,534,473	2,133,310	2,800,000
Yantian	5,258,162	6,257,936	7,200,000
Otjhers	1,804,617	2,130,642	2,360,000
Totals	10,649,950	13,655,484	16,500,000
Hong Kong	12,070,000	13,425,000	14,284,000

Hong Kong Advantages

Alfred Lo of P&O Nedlloyd, says: "Hong Kong is fortunate enough already to maintain its current throughput. Particularly if you consider that there is hardly any manufacturing done here. All goods are made in the Pearl River Delta. So what is it? "If the goods are time sensitive, if the goods are high value and need delivery time requires a high level of certainty, then Hong Kong has a substantial lead," Mr. Enright said.

The Below statistics reflect Hong Kong's advantages:

1. Customs Efficiency: The Port of Hong Kong, due to its Free Port status, enjoys considerable advantages in customs clearance times:

Customs Efficiency – Hong Kong vs. Chiwan vs. Yantian

Customs Declaration	Hong Kong	Chiwan	YANTIAN
Outbound Direct Customs	N/A	1/2 Day	1/2 Day
Outbound Sea Port Clearance	N/A	1/2 Day	1/2 Day
Outbound Transit Customs (Truck)	N/A	2 Hours	1/2 Day
Outbound Transit Customs (Barge)	N/A	2 Hours	N/A
Inbound Direct Customs	N/A	2 Days	2 Days
Inbound Sea Port Clearance	N/A	1.5 Days	1.5 Days
Inbound Transit Customs (Truck)	N/A	1 Day	1 Day
Inbound Transit Customs (Barge)	N/A	1 Day	N/A
International Transshipment	N/A	EDI duly release	1/2 Day

2. Ship Calls: The Port of Hong Kong Continues to have more ship calls going to more diverse locations:

Number of Weekly Liner Services of Shenzhen and Hong Kong Ports (as at end of June 2005)

	Yantian (YICT)	Chiwan (CCT)	Shekou (SCT)	Shenzhen Total	Hong Kong Total
America	38	14	10	62	74
Europe	21	18	2	41	63
Asia (exclude Mainland coastal ports)	5	14	17	36	190
Middle East & Mediterranean	0	0	8	8	26
Australasia / Oceania	1	3	1	5	30
Others	1	2	0	3	22
Total	66	51	38	155	405

(Source: Ms Reddy Ng /Senior Economist Secretariat of Hong Kong Port Development Council)

Other Hong Kong Advantages: General Comparison

Hong Kong is characterized by its high degree of internationalization, business-friendly environment, rule of law, free trade and free flow of information, open and fair competition, well-established and comprehensive financial networks, superb transport and communications infrastructure, sophisticated support services, and a well-educated workforce complemented by a pool of efficient and energetic entrepreneurs. Added to these are substantial foreign exchange reserves, a fully convertible and stable currency, and a simple tax system with low tax rates. This established infrastructure fosters an environment in which timely payments are made, services are reliable, and grievance resolution fair. The Shenzhen ports by comparison, while improving rapidly, due not yet offer a level of sophistication in any of these regards on par with Hong Kong.

In addition to world class infrastructure, there are other more, intangible advantages that Hong Kong offers:

Intregated Packager

The sum of Hong Kong's unique geographic location, free trade status, highly developed infrastructures, and presence of firms gives a Hong Kong a unique ability to manage all functions within the production process, on a global level. This includes the ability manage business planning, financing, consumer research, product design, transport and freight, raw material sourcing, quality control, factory manufacturing, IT systems management, inventory management, marketing and distribution, pre-sales and post sales services. The presence of this vast array of services and companies leads to a synergy called "clumping" in which groups of industries that are related to each other, that draw up common skill bases or inputs, and reinforce each other's competitive positions through dynamic interaction. This array of services gives Hong Kong the unique ability to develop supplier and customer relations that would be entirely missed... (otherwise)" (enright)

China Experts

Hong Kong has spent several decades acting as the gateway to trade and investment in and out of the Chinese Mainland and the Mainland continues to be Hong Kong's largest trading partner. A main component of this is service related with Hong Kong acting as a major source of financial, banking insurance, transport, accounting and sales promotion services. Additionally, Hong Kong companies are the largest external investors in the Chinese Mainland. Conversely, the presence of Chinese companies in Hong Kong is also sizeable, totaling some 2,000 mainland enterprises representing \$220 billion in investment. This interconnectivity offers a high degree of visibility and access to China, without the risk associated of doing business in China.


Hong Kong: Market Within Itself

Hong Kong is also a considerable market within itself. Hong Kong's 7 million inhabitants are relatively affluent, with disposable incomes that make it an attractive market for luxury goods and high-end consumer products. Hong Kong's greatest advantage however may be in the approximately 21 million visitors that it receives every year. These visitors come from all over the world, however are primarily made up of visitors from the Mainland who come to Hong Kong for the shopping that is available. These Mainland shoppers often bring products and trends back with them, giving Hong Kong companies welcome visibility throughout China.

Graph: Hong Kong vs. Shenzhen

A study commissioned by the Hong Kong Economic Development and Labour Bureau produced a "Study on Hong Kong Port – Master Plan 2020" which studied the main challenges facing the port of Hong Kong today. Their findings further reflect the Shenzhen / Hong Kong comparisons that have been discussed above:

Table 5 A Shift in Comparative Advantage		
	Hong Kong	Shenzhen
Inland Transport Linkages	High cross-boundary costs	Lower road haulage costs
Shipping Line Charges (Terminal Handling Charges)	THCs are a barrier – may be convergence over medium term	THCs at Shenzhen ports tend to be lower
Port Tariffs (Container Handling Charges)	CHCs are converging	Advantage eroding as CHCs converge
Port Service Quality	High quality but as Shenzhen ports develop the gap will be narrowed	Service quality is converging with HK
Regulatory Environment	Simple and transparent	Regulatory environment is improving fast and should drive convergence
Productivity	Land & environmental constraints limit productivity improvements	More land available to support CT productivity and relatively little environmental regulation
Expansion	New berths are expensive – focus on efficiency gains	CT development costs are lower

 Advantage

Future

Shenzhen's improving service quality, as well as price and geographic advantages, indicate that this Hong Kong's position will continue to be challenged. This said, due to critical mass and proven effectiveness, Hong Kong is still likely to remain the choice of many exporters and importers. This preference will be further strengthened by transportation projects and planning underway that will lessen Hong Kong's relative geographic isolation. These projects include the Shenzhen Western Corridor road project that is expected by the end of 2006. This project should assist the smooth flow of goods and will also be the first time that Hong Kong, and Chinese customs officials will work at the same site, eliminating duplication of work. The opening of Hong Kong-Zhuhai-Macau bridge (planned to open in 2011) will also go a great distance in enhancing the connectivity of Hong Kong to the west side of the Pearl River Delta.

There are two prominent trends that will also further affect this scenario. The first is that the growth in the Region is expected to continue well into the near future (sara- do we want statistics here??), ensuring that there will be enough cargo transport to secure the viability of the existing ports, as well as others that will come on line at a later date. Secondly, there is also an overarching trend in the Region that is beginning to take shape in which the entire Region is becoming increasingly interconnected, and soon likely will become almost entirely vertically integrated in which Hong Kong companies will increasingly coordinate and provide (high end) support services to production taking place across the border in China. In the event that growth and interconnectivity continue to play themselves out, the Region's development is likely to be the defining story, in which all entities involved see themselves with slices in an increasing large pie, and in which areas of the Region are allowed to exploit their comparative advantages to the fullest. In this case, the role of the ports in the Region, will truly begin to take on a more complementary, and less competitive, posture.

SERVICES

Shipping Lines: The ports in the region are served by numerous shipping lines. The major companies have been included below.

Hong Kong

APL Co. Pte Ltd: Tel: (852) 2614-1809, Fax: (852) 2614-6976, Alvin_lau@apl.com
Hapag-Lloyd: Tel: (852) 2768-1600, Fax: (852) 2956-0838, Thomas.lau@hlcl.com
Maersk Hong Kong Limited: Tel (852) 2837-2222, Fax (852) 2972-0663, hkgadv@maersk.com

Shenzhen

Yantian:

"K" Line Ltd: Tel (86-755) 25292789, Fax (86-755) 25290750, www.kline.com.hk
APL Co. Pte Ltd: Tel: (86-755) 25181018, Fax (86-755) 25181025, www.apl.com
Evergreen Marine Corporation: Tel (86-755) 25290605, (86-755) 25290797, www.evergreen-marine.com

Chiwan:

MaerskSealand: www.maerskline.com

Hyundai Merchant Marine: Tel 82-2-3706-5114 (Asia), 1 (972) 677-2500 (USA), www.hmm21.com

APL: Tel: 65-6-278-9000, 1 (510) 999 7733 (USA), www.apl.com

Shekou:

Hapag-Lloyd: Tel 0755-22193017, Fax: 0755-82668950, www.hlcl.com

Evergreen: Tel 0755-82461930, Fax: 82463581, www.evergreen-marine.com

APL: Tel: 0755-26887788, Fax: 0755-26887948, www.apl.com

Note: For a full list please see (Please insert HONG KONG, SHEKOU, CHIWAN, AND YANTIAN Shipping lines doc links.)

Freight Forwarding

Please see doc link (HONG KONG FREIGHT FORWARDERS) for a list.

Shenzhen Freight Forwarding

Chiwan/Shekou/Yantian: The industry is expanding rapidly. Main Freight Forwarders in the region include:

Exel Logistics: www.exel.com

Maersk Logistics: www.maersk-logistics.com

APL Logistics: www.apllogistics.com

UPS: www.ups-scs.com

NYK Logistics: www.nyklogistics.com

OOCL Logistics: www.oocllogistics.com

Warehousing

Hong Kong Warehousing

Warehousing in Hong Kong is highly competitive and there are a large number of firms offering a wide range of services. Please see doc link (Please insert HONG KONG WAREHOUSING DOC) for a full list of service providers.

Shenzhen Warehousing

Chiwan: The port of Chiwan, through the Chiwan group, offers a total of 72,000 m/sq of bonded warehousing, supervised cargo warehousing, general warehousing.

Shekou: Offers proximity to the Qianhaiwan Logistics Park, which is a 3.5 km facility that serves Chiwan as well. The project started in 2004 and is expected to be completed in 2009. Will provide container storage, forwarding, international logistics. Customs will operate within the Park to expedite customs functions.

Yantian: The YPFTZ, directly adjacent to YICT, offers over 200,000 square meters of bonded warehousing and a container yard. Within the YPFTZ there is the Shenzhen Hutchinson Inland Container Depots (SHICD) which is a large inland container depot that acts as the extended warehouse of YICT. SHICD offers a wide spectrum of value added services – including cargo consolidation, distribution, warehousing and container storage, and other logistical services.

IT

The IT systems ran at the Port of Hong Kong and the 3 Shenzhen ports are varied, but comparable in quality. All are modern and efficient systems that offer a high degree of efficiency and reliability.

Hong Kong Port

Due to the fact that the Port of Hong Kong is operated by 5 different companies, the Port does not operate one unified IT system. Each company has adopted and developed their own IT systems.

Shenzhen Ports

Yantian (YICT): In October 2003 incorporated the "Next Generation System" (nGen) into its capabilities. NGen provides YICT with a super-power Central Processing Unit and is designed with cutting edge network and intelligent technology features. The port also uses the GUIDER system to ensure vessel stability and reduce quayside waiting time, The Electronic Data Interchange System (EDI) which allows shipping lines and YICT to exchange electronic data, **Terminal Reporting and Telecommunications System (TRACS)** which is a real-time system instantly alerts operators to any updates in cargo-movement plans, EASYPORT which is a port community system that offers an communication channel for the terminal and organisations doing business with the terminal, as well as **Customs Electronic Inspection System (CEIS)** The Customs Electronic Inspection System (CEIS) is designed to transmit real-time information on Customs inspection requirements and which has greatly increased efficiency in the customs process.

Shekou (SCT): To enhance efficiency and productivity, SCT is equipped with state-of-the-art container terminal management system developed by the American NAVIS Corporation. The two components of the system, EXPRESS & SPARCS, not only optimize the utilization of labor, yard space, and handling equipment to maximize terminal's efficiency and productivity, but also manage and maintain all terminal business transactions and reliable operation data for further statistics and analysis. **SCT** provides concise and quick online enquiry service to customers. By browsing <http://OI.SCTCN.COM> or SCT's web site, customers can obtain real-time information of terminal containers and vessel schedules

Chiwan: Ever since 2003 has been running the COSMOS system. The COSMOS system is fully automated, known for its efficiency and in use in over 50 Terminals worldwide.

For General Information, the following links are useful:

Hong Kong Government Marine Department: www.mardep.gov.hk
Hong Kong Container Terminal – www.pdc.gov.hk
Yantian International Container Terminals (YICT) - <http://www.yict.com.cn>
Chiwan Container Terminals (CCT) - <http://www.cwcct.com>
Shekou Container Terminals (SCT) - <http://www.sctcn.com>
Shipping Gazette - <http://www.shippinggazette.com>
Modern Terminals Limited - <http://www.modernterminals.com>
DP World - <http://www.dpiterminals.com>
Hongkong International Terminals - <http://www.hit.com.hk>
COSCO-HIT Terminals (HK) Ltd - http://www.hph.com.hk/business/ports/hong_kong/cht.htm
Asia Container Terminals Ltd - <http://www.asiacontainerterminals.com>
Association of Freight Forwarding and Logistics "<http://www.haffa.com.hk>".

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